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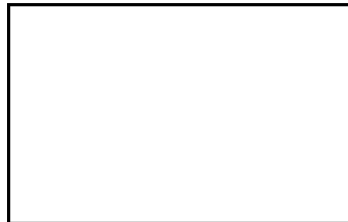
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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 10 September 1977

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, 10 September 1977.

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The NID Cable is for the purpose of informing senior US officials.

Conditions at Site may delay Cable on Saturday morning. They will be transmitted as soon as possible.

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USSR: Statements

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[] Soviet President Brezhnev and KGB Chairman Andropov delivered tough statements on East-West relations in Moscow yesterday.

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[] In a conversation with Chief Justice Warren Burger on Friday, Brezhnev, reading from a prepared text, noted that bilateral relations have taken a definite turn for the worse in recent months. He cited the development in the US of new military weapons, Washington's "very harmful" posture on the Vladivostok agreement, an apparent lack of desire to work out a SALT II solution, and continuing foreign trade discrimination. Brezhnev concluded by saying that his country is prepared to do what it can to overcome the present "recession" in relations, and welcomes certain recent statements by President Carter, but that Washington's words must be translated into practical deeds if a positive change is to come about.

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[] Andropov, speaking to an audience that included Brezhnev at a ceremony honoring the first Soviet secret police chief, reportedly stressed the critical role of the Western press, diplomats, and intelligence agencies in sustaining Soviet dissidents. In uncharacteristically harsh tones, he emphasized that detente is a complicated and uneven process and does not exclude the "ideological struggle." Andropov called on US and Western "ruling circles" to renounce alleged attempts to create a "hostile atmosphere."

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[] Andropov's demand that Soviet dissidents be fully punished according to law is a reminder of the still unresolved fate of such dissidents as Anatoly Shcharansky, who has been arrested and may be tried. Andropov's statements may also have been intended to stake out a firm Soviet position on the human rights issue before the opening of the European security review conference in Belgrade next month. The Soviets anticipate criticism and pressure for a liberalization of internal contacts at the meeting. []

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NAMIBIA - SOUTH AFRICA: Plans and Protests

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[] Justice Steyn, the Administrator-General for Namibia appointed by South Africa, has publicly offered to involve exiled leaders of the South-West Africa People's Organization

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in preparations for elections to a constituent assembly in Namibia. Steyn plans to go ahead with the election preparations, however, even if SWAPO decides not to participate. Meanwhile, South Africa Prime Minister Vorster has reacted strongly to the decision by the UN Council for Namibia to seek Security Council action on South Africa's announcement that it was switching the administration of Walvis Bay to the Government of Cape Province.

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[] On his arrival in Windhoek on 1 September, Steyn promised to be "absolutely neutral" in his administration of the territory. He said his primary goal was to ensure free and unimpeded elections in Namibia, and indicated that he was still hoping to meet the 1978 target date for Namibian independence. Steyn reportedly stressed, however, that if the UN decided not to send a representative to Namibia he would still go ahead with plans for the elections.

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[] In discussing plans for administering Namibia, Steyn said he would give serious consideration to repealing or amending certain repressive or discriminatory laws. He also promised to travel widely throughout the territory to acquaint himself with the country and its "peoples."

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[] Steyn has since offered safe conduct to SWAPO's exiled leaders who want to return to Namibia to discuss participation in the elections. He has also proposed meeting them in a third country. According to press reports, SWAPO president Nujoma yesterday rejected the safe conduct offer, arguing that Steyn had no legal right to invite him to Namibia. Nujoma has repeatedly insisted that only the UN has legal authority in the territory.

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[] Earlier this week the UN Council for Namibia said it would challenge South Africa's claim of sovereignty over Walvis Bay--the only deep-water harbor in Namibia. The Council maintains that Walvis Bay is an "integral part" of Namibia and intends to seek Security Council support for its position. South Africa has administered Walvis Bay as part of Namibia since 1922.

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[] On Thursday, Prime Minister Vorster warned that there would be little sense in continuing talks with the Western five-power contact group on the future of Namibia if the

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Security Council disputed South Africa's claim to Walvis Bay. Vorster may have believed reports that the Council for Namibia had acted with the knowledge and approval of the contact group.

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CUBA: Castro Continues Campaign

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[redacted] //Cuban President Castro has resumed his domestic speaking campaign in an attempt to boost public morale affected by continued economic problems and to win support for an expansion in Cuba's foreign assistance programs.//

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[redacted] //Castro has made nine speeches during the past seven weeks. In nearly all of his addresses, Castro has given his audiences a detailed inventory of the projects constructed by the government in their region in recent years and compared present-day conditions with those of the Batista era.//

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[redacted] //While acknowledging the country's limited financial resources, Castro has emphasized that Cuba's foreign assistance programs are not taxing the Cuban economy and that the present austerity is due to low sugar prices rather than to Cuba's aid projects in the Third World. The Cuban leader has also noted that the more prosperous recipient nations are reimbursing Cuba for its aid programs, and even the poorer countries are providing food and lodging for Cuban technicians.//

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[redacted] //Castro has used these speeches to announce an expansion in Cuba's foreign aid programs in the near future, underlining his determination to continue his active pursuit of influence in Africa and the Middle East. In one speech, Castro stated that the number of civilian technicians in less-developed countries will increase from 4,100 to 6,000 by the end of this year; in a subsequent speech he said that the government plans to send approximately 1,000 teachers to Angola next spring.//

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[redacted] //Castro's preoccupation with the financial costs of Cuba's overseas activities indicates his continuing awareness of public concern that these programs are at least partly responsible for recent austerity measures at home. In fact, last year's reductions in certain ration allotments and major revisions of Cuba's first five-year plan are attributable almost entirely to low world sugar prices.//

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[redacted] //Given the relatively small numbers of personnel involved, the existence of underemployment in Cuba, and the underwriting of most of the actual costs by other nations, we believe that the economic burden of Cuban assistance programs--including the forecasted increases--imposes little real economic sacrifice on the Cuban populace. [redacted]

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GUATEMALA-UK-BELIZE: Toward Negotiations

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[redacted] //Guatemalan representatives go to London next week for preliminary talks with the British on the future of Belize. The respective foreign ministers will continue the discussions at the UN later this month. These talks will be crucial in determining whether a settlement is possible before the Guatemalan elections in March 1978. Any agreement that is reached may have to be kept secret until after the elections to prevent it from becoming a campaign issue. Each country has been urging the US to press the other for greater flexibility, but the British are hemmed in by what they can sell to the Belizans, and the Guatemalans by what they can sell to their military.//

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[redacted] Despite its usual public posture of intransigence, Guatemala may now show greater flexibility than in past negotiations because of its dwindling international support. A few Latin American countries continue to express solidarity with the Guatemalan claim--mostly as a matter of hemispheric unity--but world opinion overwhelmingly supports Belize's wish for early independence. The English-speaking colony has few cultural ties with Guatemala, which has never exercised effective sovereignty over the territory. A resolution introduced in the UN General Assembly last year in support of Belizean self-determination was approved 115 to 8.

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[redacted] Guatemala is anxious to retain its last solid bloc of support--its Central American neighbors--particularly since Panama announced support for Belizean self-determination in May. Guatemalan Foreign Minister Molina toured the four neighboring countries early last month to apply a little judicious arm-twisting, not only for diplomatic support but for commitments to send military assistance if hostilities should erupt.

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Subsequently, the foreign ministers of Costa Rica, El Salvador, Honduras, and Nicaragua met in Guatemala in late August, where they drafted a joint communique giving their host qualified diplomatic support. El Salvador reportedly provided the only military support--a single truckload of 30-caliber arms and ammunition.

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[redacted] //El Salvador probably hopes to receive Guatemalan support in its eight-year-old dispute with Honduras, and to ensure continued acceptance of Salvadoran migrant workers.

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[redacted] Although South American support is of less importance, Vice President Sandoval began a month-long fence-mending swing through most of the continent in late July. Despite Sandoval's accounts of his success, the trip accomplished little. Brazil refused to budge from its position of neutrality and will probably abstain if a resolution on Belize is again introduced at the UN General Assembly.

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[redacted] The Chileans, caught in a tangle of conflicting aims--support for self-determination, support for another Latin American country, and a wish to improve relations with Britain--stuck to their previous position of hoping for a "negotiated settlement," as did Argentina, Bolivia, Paraguay, and Peru. In several countries--notably Argentina, Paraguay, and Uruguay--Sandoval's bellicose attitude and his exaggerated claims of successes elsewhere greatly annoyed the host governments.

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[redacted] The best chance for settling Belize's future in the coming round of talks is some face-saving formula for territorial concession to Guatemala that would allow the Guatemalan military to accept the reality of world opinion and of its own lack of capability against British forces in Belize. The hard-line public statements of President Laugerud, however, are doing little to prepare the Guatemalan public for the eventual "loss" of that "province." The "Belize-is-ours" stand leaves no room for arriving at the negotiated settlement that most American states favor.

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EAST GERMANY - WEST GERMANY: Soundings

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[redacted] Very little progress was made at the second "sounding" talks between East and West Germany in preparation for another round of inner-German negotiations. West German officials have told US diplomats that the discussions, held on 2 September, were constructive and "not unfriendly," but that they were "a little sharper" than the first round in mid-August.

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[redacted] Neither side reportedly made any concessions on such fundamental issues as Bonn's recognition of a separate East German nationality. The East Germans refused to discuss humanitarian matters, such as family reunifications and the alleged increased harassment of visitors to East Germany. The East Germans again refused to discuss Berlin matters with the West Germans, saying they would deal only with the West Berlin government.

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[] The East German negotiator nevertheless made clear that his government is interested in continuing the soundings, and in discussing bilateral transit and traffic problems soon. The West Germans noted that the coming conference on European security in Belgrade apparently has motivated the East to continue the talks. []

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USSR: Gas Pipeline Compressor

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[] *The USSR is seeking Western assistance to construct gas pipeline compressor stations using advanced, lightweight, jet turbine engines developed for aircraft. Such engines provide more power for less fuel and are easier to maintain than engines currently used in compressor stations, but they are relatively untested in such industrial applications. If the Soviets can successfully adapt these engines for future gas pipeline compressor stations, it would significantly assist their efforts to increase natural gas production and distribution.*

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[] The Soviets have received bids from a Canadian group offering the Rolls Royce RB-211 engine and from a US firm offering an engine developed for a wide-body jet. Bids have also been solicited from firms in the UK, Japan, and Italy. These advanced, lightweight engines have not been used extensively for industrial purposes but they offer almost double the power and a 15- to 20-percent reduction in fuel consumption at a cost of approximately 1.5 times that of first generation engines of similar size now being used.

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[] The engines also allow simpler field repairs, which reduce downtime, eliminate the need to purchase spare engines, and reduce capital and maintenance costs. If these engines can be successfully adapted for use in natural gas compressor stations, the Soviets will be able to improve significantly the operating performance of their natural gas pipelines and increase the amount of gas that can be moved through them.

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[] A continuing shortage of high-capacity gas compressor systems has caused the Soviets to put pipelines into operation before adequate numbers of high-performance compressors were available. This has led to severely restricted flow and to

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operating problems. The fact that the Soviets are again seeking to purchase Western gas compressor stations and supporting equipment indicates that they have not been able to solve this problem.

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[] Soviet efforts to use locally built aircraft engines in natural gas compressor stations have been unsuccessful. They have purchased and installed other Western compressor systems that use less advanced aircraft engines. Last December, for example, the Soviets purchased 42 compressor sets using Rolls Royce Avon engines originally developed for military aircraft. They will be installed along the 2,000-kilometer Tyumen-Chelyabinsk natural gas pipeline in western Siberia. These engines have been used on the Trans-Canada pipeline system since 1964.

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[] Although these Western compressor systems involve proven aircraft engines, they have not fully met Soviet requirements. The Soviets are therefore seeking relatively untested, advanced technology systems in order to speed up industrial use of the new, lightweight aircraft engines. If the advanced engines prove successful, the Soviets may either purchase more engines or try to obtain the technology to build their own high-performance engines. []

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ITALY: Solar Technology Exports

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[] *Italy has decided to develop small-scale solar energy systems suitable for new markets in the Middle East and Africa. It wants to improve its competitive position with respect to France in order to prevent the French from becoming the major supplier of solar energy systems to developing countries. To this end, the Ministry of Industry proposes to allocate some \$13 million as an incentive for industry to develop solar technology, particularly small solar electric power plants suitable for small, isolated communities.*

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[] About \$9.1 million of this amount will be used for low-interest loans to aid the production of industrial prototypes. The remainder will be used to reimburse citizens for up to 50 percent of the cost of installing residential solar heating and cooling systems.

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[] In addition, the National Electricity Agency will spend \$3.25 million in the next three years to produce solar heating and cooling systems, small solar power plants, and small solar refrigerators. The National Hydrocarbon Agency will spend slightly more over the same period to develop a solar research and development facility, solar heating and cooling systems, and small solar water pumps.

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[] Despite their excellent work in solar research, the Italians have not been able to establish a sales capability. Unless they can devise better marketing skills, France will continue to dominate the market in the Middle East and Africa for small-scale solar systems such as water pumps. France will also be able to expand into large-scale applications, leaving Italy behind despite its present technical lead in developing large-scale systems.

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[] Research on large-scale solar electric power systems--100 kilowatts to 1 megawatt--has been done at the University of Genoa since 1962. The university has been testing a 100-kilowatt working model of a solar boiler since 1967 but has been unable to buy a turbine to produce electricity from the steam generated in the solar boiler. The US Energy Research and Development Administration will purchase an Italian-built, 300-kilowatt solar boiler that will be installed and tested by the Georgia Institute of Technology.

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[] The University of Genoa recently began a joint program with the private Ansaldo Spa firm to develop a fully operational solar electric power plant. Ansaldo, in partnership with the West German Messerschmidt firm, now offers factory-guaranteed solar electric power plants with capacities of 100 kilowatts and 1 megawatt. The government will provide some financial assistance to the program.

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[] The Polytechnic Institute of Milan also is active in solar energy research and development in cooperation with government and industry. The Institute has built a 3-kilowatt solar electric power plant that uses an organic working fluid with a relatively limited temperature range from 30 to 70 degrees C. It recently received a contract to develop a small solar electric power plant that can be mass-produced. []

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BRIEFS

China

[] China commemorated the first anniversary of the death of Mao Tse-tung yesterday in low-key fashion. The rally in Peking was small by Chinese standards, and the short address by Party Chairman Hua Kuo-feng continued the trend of recent weeks of paying lip service to Mao without endorsing the unpopular domestic policies he espoused in the mid-1960s.

[] Hua repeated the standard foreign policy formula signifying opposition to the USSR and interest in the US, but he did not mention either country by name. Not all Politburo members attended the ceremony, but those present were listed in the Chinese equivalent of alphabetical order by Peking radio. So far Peking has not listed the new Politburo in order of rank.

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El-Salvador-Honduras

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[] The Salvadoran legislature on Thursday unanimously ratified the mediation agreement signed with Honduras almost a year ago. Honduras ratified it within a month after the signing and has been prodding El Salvador to do likewise so that negotiations for normalizing relations could be resumed. The two countries must now agree on a mediator whose recommendations are not binding.

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[] Relations were broken eight years ago when the two countries went to war over several issues particularly the treatment of Salvadoran nationals by Hondurans. A peace treaty will have to resolve this problem as well as provide for the demarcation of disputed portions of their common border. A full settlement is unlikely any time soon. []

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Nepal

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[] //Nepalese Prime Minister Tulsi Giri and his entire cabinet resigned yesterday. A liberal in domestic politics and generally pro-Indian in foreign policy, Giri may have found himself increasingly at odds with King Birendra, who dominates the Nepalese political scene. Giri had held the post since December 1975.//

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[] //A former prime minister, Kirti Nidhi Bista, may replace Giri. Bista was considered anti-Indian and pro-Chinese in the 1960s, but more recently has appeared to moderate his position. In domestic politics, Bista has long been regarded as a hard-liner, consistently resisting attempts at liberalization. []

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